

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2013-47-W

IN RE:)	
Application of AAA Utilities, Inc. for)	SETTLEMENT AGREEMENT
Adjustment of Rates and Charges for)	
Water Services)	
)	

This Settlement Agreement is made by and between AAA Utilities, Inc. ("AAA Utilities" or the "Company") and the South Carolina Office of Regulatory Staff ("ORS"), whom may collectively be referred to as the "Parties" or sometimes individually as a "Party".

WHEREAS, on October 29, 2013, AAA Utilities filed an Application for the Adjustment of Rates and Charges (the "Application") requesting that the Commission approve the revised rates and charges and a modification to the terms and conditions for the provision of water service to provide a provision seeking a pass-through of the adjustment to customers in Lakeside Forest Subdivision;

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (the "Commission") pursuant to the procedure established in S.C. Code Ann. § 58-5-240 (Supp. 2013) and 10 S.C. Code Ann. Regs. 103-703 and 103-712.4.B;

WHEREAS, the Company provides water service to approximately 357 customers in Saluda, Lexington and Richland Counties;

WHEREAS, ORS has examined the books and records of the Company relative to the issues raised in the Application and has conducted financial, business, and site inspections of AAA Utilities; and

WHEREAS, the Parties have engaged in discussions to determine whether a settlement in this proceeding would be in the best interests of the Company and in the public interest;

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms, which, if adopted by the Commission in its Order addressing the merits of this proceeding, will result in rates and charges for water service which are adequate, just, reasonable, nondiscriminatory, and supported by the evidence of record of this proceeding, and which will allow the Company the opportunity to earn a reasonable operating margin.

1. The Parties agree to stipulate into the record the pre-filed direct testimonies and exhibits of Ronald J. Swearingen and Gary E. Walsh on behalf of AAA Utilities, as well as the pre-filed direct testimony and Audit Exhibits JWC-1 through JWC-4 of ORS witness Joseph W. Coates, the pre-filed direct testimony and Exhibits HKM-1 through HKM-6 of ORS witness Hannah K. Majewski.

2. The Parties stipulate and agree to the rate schedule attached hereto and incorporated herein by reference as Settlement Agreement Exhibit 1.

3. The Parties agree that the above stated rates are fair, just, and reasonable to customers of the Company's system while also providing the opportunity to earn a fair operating margin which produces additional revenues of \$40,402. The Parties stipulate that the resultant operating margin is 15.63%.

4. The Parties agree that ORS shall have access to all books and records of this system and shall perform an examination of these books as necessary.

5. AAA Utilities shall maintain its books and records and properly record assets and the disposition of those assets, including their retirement, in its books and records in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts as required by the Commission's rules and regulations.

6. The Company agrees to bill its customers every two (2) months for service instead of monthly.

7. AAA Utilities agrees to provide written notice to its customers of the new rates detailed in Settlement Agreement Exhibit 1 after the Commission has issued its Order.

8. The Company agrees to file all necessary documents, bonds, reports and other instruments as required by applicable South Carolina statutes and regulations for the operation of a water system.

9. AAA Utilities shall submit bulk water contracts, whether the bulk contract is for supplemental water or for supply, for Commission approval pursuant to 10 S.C. Code Ann. Regs. 103-743 (2013).

10. The Company shall provide notice to the Commission and ORS prior to affording its customers at least 30 days' notice prior to billing customers for an increase in bulk water charges.

11. AAA Utilities shall obtain approval from the Commission prior to executing or entering into any agreement or contract with any person, firm, partnership, or corporation or any agency of the federal, state, or local government which would impact, pertain to, or affect said utility's fitness, willingness, or ability to provide water service.

12. The Company agrees that this system is a "public utility" subject to the jurisdiction of the Commission as provided in S.C. Code Ann. § 58-5-10(4) (Supp. 2013). The

Company agrees to maintain the current performance bond amount for water operations in the amount of one hundred thousand dollars (\$100,000) in satisfaction of the requirements set forth in S.C. Code Ann. § 58-5-720 (Supp. 2013) for water service.

13. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission Order issued approving this Settlement Agreement and the terms and conditions contained herein.

14. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2013). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the agreement reached between the Parties serves the public interest as defined above. The terms of this Settlement Agreement balance the concerns of the using public while preserving the financial integrity of the Company. ORS also believes the Settlement Agreement promotes economic development within the State of South Carolina. The Parties stipulate and agree to these findings.

15. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair in any way their arguments or positions they may choose to make in future

Commission proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.

16. This Settlement Agreement shall be interpreted according to South Carolina law.

17. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of this Settlement Agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

18. The Parties represent that the terms of this Settlement Agreement are based upon full and accurate information known as of the date this Settlement Agreement is executed. If, after execution, either Party is made aware of information that conflicts, nullifies, or is otherwise materially different than that information upon which this Settlement Agreement is based, either Party may withdraw from the Settlement Agreement with written notice to the other Party.

[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]

Representing the South Carolina Office of Regulatory Staff

A handwritten signature in blue ink, appearing to read "Courtney D. Edwards", is written over a horizontal line.

Courtney D. Edwards, Esquire

Shannon Bowyer Hudson, Esquire

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SCHEDULE OF RATES AND CHARGES

WATER

1. Monthly Charges

<u>Unmetered Water</u>	<u>Rates</u>
Perry Subdivision	\$25.00 per month
Landpointe Subdivision	\$25.00 per month
Love Valley	\$25.00 per month
<u>Metered Water</u>	
Base Charge	\$ 11.00 per month
Commodity Charge	\$ 3.50 per 1,000 gallons

2. Non-Recurring Charges

Tap Fee	\$500 per unit
Account Set Up Charge	\$25.00 per unit per event
Reconnect Fee	\$75.00
Late Penalty Charge	

AAA may charge a late payment penalty up to the maximum amount allowed by applicable South Carolina statute and/or Public Service Commission Rule.

NSF Charge

AAA may charge a NSF check charge up to the maximum allowed by applicable South Carolina Statute and/or Public Service Commission Rule.

3. Purchased Water Agreement

AAA purchases potable water from Batesburg Leesville Water to serve the Lakeside Forest Subdivision. In the event Batesburg Leesville Water adjusts the unit price per 1,000 gallons, AAA seeks a pass-through of the adjustments to customers in the Lakeside Forest Subdivision subject to the Commission approved notification process.

4. Billing Cycle

Recurring charges will be billed once every two months in arrears. Non-recurring charges will be billed and collected in advance of service being provided. Tap Fee is due at the time connection to the water system is required.